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ARAB STATES - ISRAEL: The implementation of the cease-fire agreement began yesterday, with no significant problems developing.

The first stage of the prisoner-of-war exchange took place with the transfer of 26 Israeli wounded prisoners and over 400 Egyptians. According to a press account, Egypt was unable yesterday to organize the repatriation of a larger number of Israeli prisoners. No adverse Israeli reaction to Cairo's delay was reported.

Contingents of the United Nations Emergency Force (UNEF) took control of the Israeli checkpoints at Kilometers 101 and 119. A UNEF press spokesman claimed that there are no other Israeli checkpoints on the Cairo-Suez road. Trucks carrying relief supplies to Suez city passed through the checkpoint at Kilometer 101 yesterday. An International Red Cross spokesman has also announced that the evacuation of more than 1,000 sick and wounded Egyptian civilians from Suez city will begin today.

According to press reports, Israeli Defense Minister Dayan said yesterday that Tel Aviv had made "far reaching" proposals to Damascus including an exchange of prisoners of war and offered to allow about 15,000 displaced civilians from newly captured areas on the Golan Heights to return to their homes. Meanwhile, Israeli Foreign Minister Eban and Secretary-General Waldheim at the UN and a special UN envoy in Damascus are seeking ways to resolve the Israeli-Syrian prisoner issue.

Minor cease-fire violations were reported on both fronts yesterday. A brief exchange of tank and artillery fire took place on the northern sector of the Syrian front.

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Egyptians have generally been satisfied with the Egyptian-Israeli decision of Wednesday to proceed with the implementation of four elements of the six-point agreement of 11 November, according to the US Interests Section. The new, but restrained optimism ends a period of gloom and frustration over what Egyptians considered Israeli obstructionism and a breakdown of negotiations. The Egyptian Government is underscoring the need for intense pressure on Tel Aviv, and Cairo implies that recent progress in getting Israel to be more forthcoming has been a result of Egyptian-US interaction.

The Interests Section believes that there is no real challenge to Sadat's leadership and reports that his popularity appears to be high. Some unhappiness exists among university students, and there is muttering by younger officers, who complain that the cease-fire was entered into for political, rather than military reasons. Nevertheless, Egypt appears ready to give Sadat's political and diplomatic efforts a chance to succeed.

Radio Tripoli yesterday carried what was described as a cable sent by President Qadhafi to President Sadat dealing with the Arab-Israeli war and its aftermath. Qadhafi's message bitterly condemned Sadat's acceptance of the cease-fire; the war, Qadhafi said, should have been continued "even if it developed into hand-to-hand fighting." The Libyan leader said he was furious at the Egyptian-Israeli talks at Kilometer 101: "I cannot sleep at what is happening at Kilometer 101, or perhaps I am asleep and it is a terrible and peculiar nightmare."

(continued)

Yesterday's communiqué following the Tito-Brezhnev talks in Kiev broke no new ground on the Middle East. Both leaders recognized the importance of obtaining a Middle East settlement and reaffirmed their readiness to make efforts in that direction. The communiqué accused Israel of "crude flouting" of the UN cease-fire resolutions and noted the "dangerous consequences" of Israel's "adventurous actions." Meanwhile, in Moscow, Premier Kosygin told a Guinean delegation that the Soviets will continue to give the "utmost assistance" to implement UN resolutions on the Middle East. Pravda also emphasized Moscow's continuing role in achieving a Middle East settlement. The Soviet weekly New Times touched on the sensitive subject of Arab financial holdings in the West by noting that substantial sums are held in US and West European banks. It said "if the Arabs withdrew only half of their investments, it would lead to a serious upheaval of the finances of many West European countries." The US was not explicitly mentioned in this regard. Although Moscow has endorsed the use of Arab oil, it has not made such explicit reference to the significance of Arab financial reserves.

Further progress has been made at the UN in assembling the peacekeeping force. The UN Emergency Force now has approximately 2,200 troops in the Middle East and enough pledges to bring it close to the 7,000-man goal. Negotiations have also reached tentative agreement on a special assessment scale for the

(financing of the emergency force. UNEF, however, is still without adequate supplies or logistic support for its rapidly growing forces.

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WEST GERMANY: Bonn registered a \$1.6-billion trade surplus in September, raising the cumulative surplus for the first nine months of 1973 to \$8.7 billion. This is more than double the level for the comparable period of 1972. Trade declined in August as a result of seasonal factors, but rebounded in September when exports were up 63 percent and imports up 40 percent, compared with September 1972. Exports probably will continue at high levels in the remaining months of the year, contributing to an annual trade surplus that is likely to reach a record level of at least \$12 billion.

A surplus of \$250 million in trade with the US accounted for one sixth of West Germany's total surplus in September. The nine-month surplus with the US reached nearly \$1 billion and is likely to approach \$1.5 billion for the entire year. Although US sales of agricultural commodities have risen dramatically this year, these gains have been more than offset by increased US imports of intermediate goods and manufactures, particularly transport equipment.

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UGANDA-USSR: Moscow has resumed military deliveries to Uganda after a hiatus of some five years.

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A Soviet ship unloaded ten T-34 medium tanks, six armored personnel carriers, and ammunition at Mombasa between 3-8 November for transshipment to Kampala. This delivery may be part of the \$10-million arms accord concluded in 1965. About \$7 million worth of equipment, including seven MIG-15/17 jet fighters and ground forces equipment, was delivered prior to 1969. By January 1971, however, the program had deteriorated to the point where the Soviet military technicians stationed in Uganda were withdrawn.

Relations between Moscow and Kampala began to improve by the fall of 1972, when President Amin suggested the resumption of the Soviet military aid program. The recent shipment probably was arranged during the visit to Kampala last April of a high-level Soviet military delegation.

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In addition, the Soviets announced the appointment of a military attaché to Uganda in October.

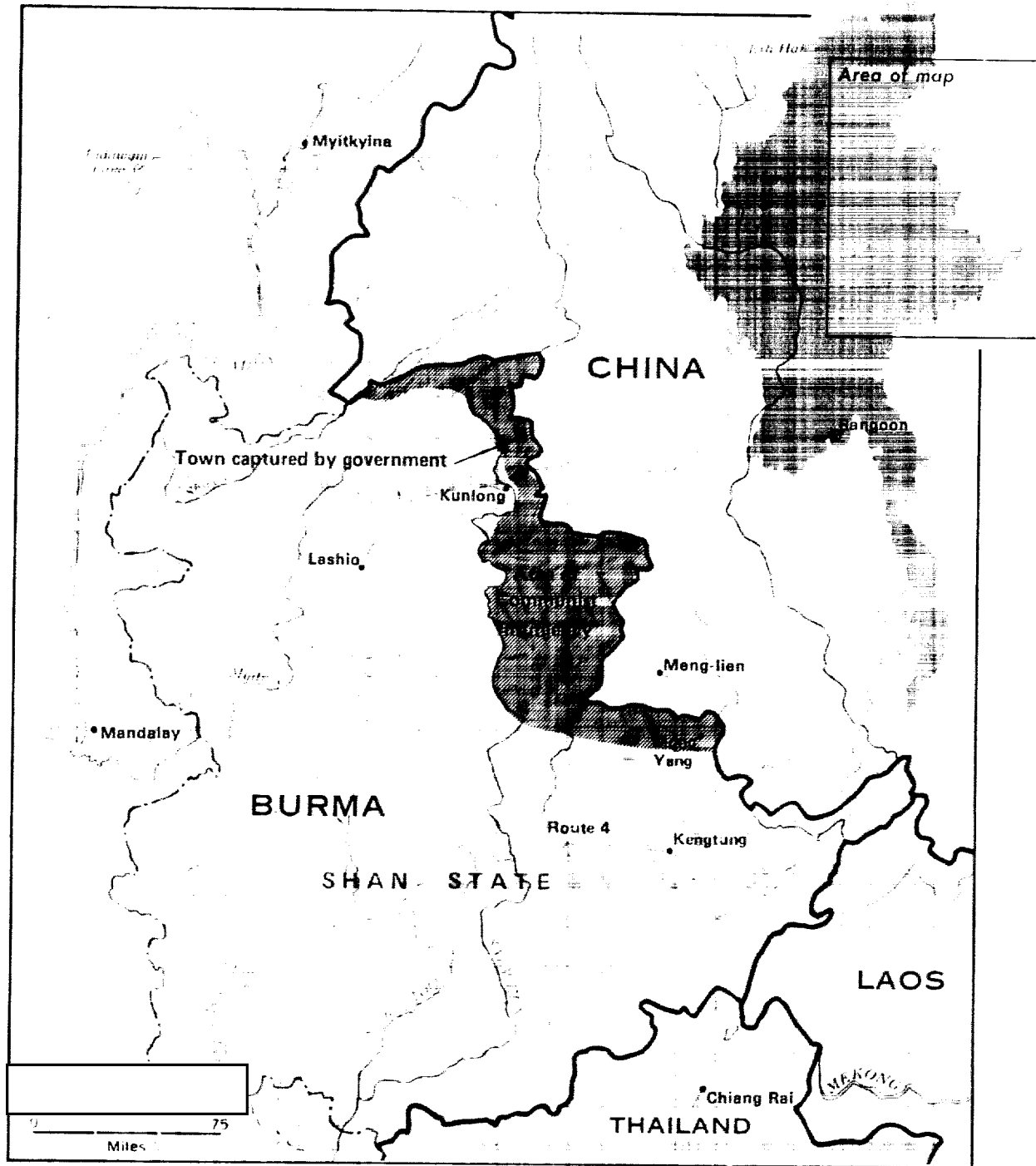
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Moscow has moved cautiously in improving relations with the Amin government. The Soviets may feel uncertain about the staying power of the capricious and unpredictable Amin, who at times has irritated Moscow with statements critical of Soviet foreign policy. Nevertheless, the USSR is pleased with Uganda's deteriorating relations with London, Washington, and Tel Aviv, and probably hopes that a limited military aid program will enhance Soviet influence. Moscow, however, probably would be reluctant to provide Uganda with enough equipment to upset the military balance with neighboring countries--Zaire, Kenya, and Tanzania.

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BURMA: Despite recent military setbacks, Rangoon is continuing to push its seven-week-old campaign against Communist insurgents in northeast Burma.

Stung by the loss on 1 November of the important military outpost of Mong Yang, the last major government position between the administrative center of Kengtung and Communist-held territory along the Chinese border, the Burmese Army has moved quickly to take diversionary action further north. The army, hoping to take advantage of the reduced Communist troop presence in the north, has captured a town only five miles from the border and is moving against other long-time Burmese Communist depots and strong-points along this border. The insurgents, supplied and directed in part by the Chinese, have up to now enjoyed a relatively undisturbed sanctuary in this area.

Supply problems, plus the heavy casualties sustained by Burmese forces since the kickoff of the offensive, raise questions about Rangoon's ability to sustain operations on two fronts.

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Troop strength around Kengtung has been boosted sharply, and the deputy defense minister has personally assumed the role of regional commander.

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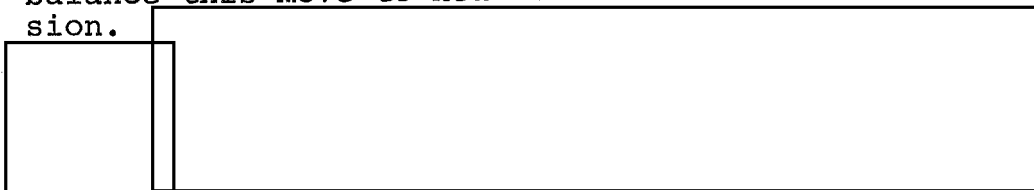
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ARGENTINA: President Peron has favored the right in reorganizing his Justicialist Party.

Peron announced last week that the Peronist movement was formalizing its structure and he outlined the new organizational hierarchy, naming top political advisers. Missing from the list was a prominent Peronist youth leader, who apparently still holds the executive post of liaison officer between the government and various political parties. Peron, under pressure from rightist elements within the labor movement, reportedly purged him from the party hierarchy.

This maneuver may intensify the ongoing power struggle between leftist and conservative leaders in the party. Many young Peronists have protested publicly, and Secretary to the Presidency Solano Lima reportedly is looking for a way for Peron to balance this move to head off more serious dissension.

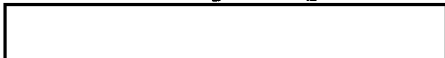
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So far Peron, in his own enigmatic fashion, has refused open support for any specific group within the movement. Peron's latest move, however, is in line with his long-range strategy to separate out extreme leftists, while retaining the support of the majority of the youth.

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Japan: A balance-of-payments deficit of almost \$1 billion was registered in October as the trade surplus continued to shrink. Overall imports were 77 percent higher than a year ago and imports from the US grew even faster. As a result, the monthly Japanese trade surplus with the US fell to \$60 million, compared to \$360 million in October 1972, and to only \$120 million on a global basis. Long-term capital outflows declined in October, but still remained above \$500 million. Japan's overall balance-of-payments deficit so far this year amounts to about \$7 billion.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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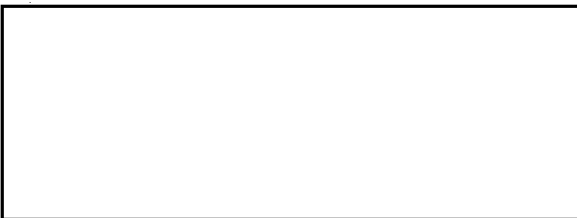
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